

AR08

Trans-Canada Resources LTD

FINANCIAL REPORT

APRIL 30, 1970

In the November, 1969 Quarterly Report we predicted a 1970 cash flow of \$1½ million and now, towards the middle of 1970, it is clear this milestone is close to becoming a fact. Development of our Pioche and Wayne-Rosedale Waterflood projects, scheduled to be producing in 1970, are progressing on target. International Drilling Fluids in its first operating year as a Division of Trans-Canada Resources, following its acquisition last September, 1969, is giving a excellent performance, having reached net profits before taxes of \$373,783 for the six-month period ended 30 April, 1970. This reflects the continued growth of an already outstanding growth curve since 1964 and achieved in 1970 in spite of cut-backs in oil and gas well drilling activity. Trans-Canada Resources' total income for the period was \$444,828, representing an overall cash flow for the six months of the 1970 fiscal year of \$312,851.

These developments in the Company, together with appreciation of strategically located land holdings and progressive exploration programs, have raised the fair market value of the Company's assets to an impressive level now exceeding \$10 million which, with just a moderate 2,-312,502 shares outstanding, represents over \$4 a share. We are proposing to spend approximately \$450,000 on exploration and \$350,000 on development of our properties during 1970 contributing to increased cash flow in 1971 which we predict should reach at least \$900,000.

The Company's healthy position, due largely to our early success in establishing a substantial cash flow, is such that equity financing need not be considered during this period of unrealistic stock values. Any major issue of treasury shares at this time would be most inopportune and untimely and cause adverse dilution of our shareholders' interests.

Advantage is being taken of the change of pace of the economy to consolidate the Company's activities which could be advantageously arranged within the corporate structure. Much ground-work has already been covered in our investigations in conjunction with a renowned international banking institution.

This thorough review of the Company's organization is linked with long-range planning into the source of our future capital requirements to achieve the goals envisaged by Management. As a result of our studies, ideas and plans are emerging which indicate that equity financing using Trans-Canada Resources' treasury shares may not be necessary for a long time, if at all.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF WORKING CAPITAL

FOR THE SIX MONTHS ENDED APRIL 30, 1970

Sources of working capital:

Operations—				
Profit for period				\$355,975
Add—				
Items which do not involve an outlay of working capital:				
Mineral Properties deferred costs				
written off		\$10,794		
Depreciation and amortization		41,487	<u>52,281</u>	\$408,256
Applications of working capital:				
Expenditures on oil, gas and mineral properties and related deferred costs		384,735		
Claim development deposits		100,398		
Additions to fixed assets		59,106		
Other		1,247		<u>545,486</u>
Decrease in working capital				137,230
Working capital, at beginning of period				<u>868,668</u>
Working capital at end of period				\$731,438

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FOR THE SIX MONTHS ENDED APRIL 30, 1970

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CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

FOR THE SIX MONTHS ENDED APRIL 30, 1970

Income:

Royalties	\$ 4,954
Interest	2,038
Profit on sale of investments	22,885
Income of International Drilling Fluids	
Division—per statement attached	373,683
Net profit on oil production	<u>41,268</u> <u>\$444,828</u>

Expenses:

Rights and interests in oil, gas and mineral properties and related deferred costs written off	10,794
Salaries and employee benefits (including remuneration paid officers and directors of \$32,900)	59,222
Legal, consulting and other professional fees	46,712
Interest expense	8,849
Depreciation	12,000
General office expense	<u>46,681</u>
	173,464

Less—

Amount allocated to deferred exploration, development and administrative costs	<u>95,405</u>	78,059
		<u>88,853</u>

Profit for period

Less—

Deficit beginning of period	<u>167,661</u>
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Profit, at end of period

\$188,314

NOTES:

1. Statements have not been audited.
2. Comparative figures not available as year end changed from December 31st to October 31st, 1969.
3. No allowance for Income Taxes due to carry forward of exploration expenses incurred in prior years.

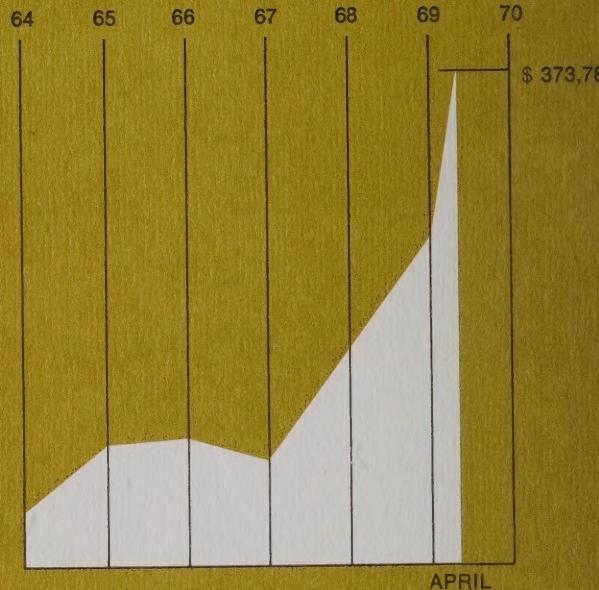
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MARCH 1969

APRIL 1970

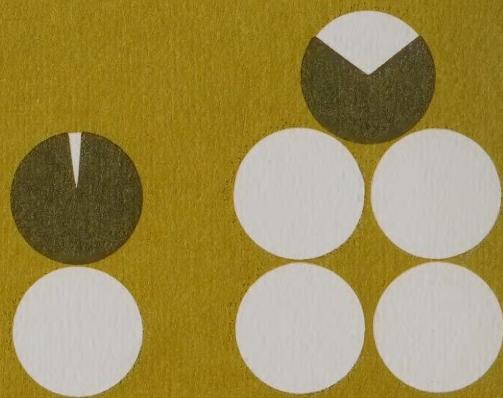
TOTAL ASSET VALUE



INTERNATIONAL DRILLING FLUIDS
NET PROFITS

\$1.06
2,272,502 SHARES OUTSTANDING

\$4.33
2,312,502 SHARES OUTSTANDING



1970

ASSET VALUE PER SHARE

